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SENSITIVE
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DEPT FOR AF/C AND EEB
PARIS FOR RKANEDA
LONDON FOR PLORD
AFRICOM FOR JKUGEL,CKOCH

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ETRD, CT
SUBJECT: EMBASSY BANGUI'S REACTION TO THE WORLD BANK'S POVERTY
REDUCTION STRATEGY ANNUAL PROGRESS REPORT (APR)

¶1. (SBU) SUMMARY: AmEmbassy Bangui has reviewed the World Bank's Poverty Reduction Strategy Annual Progress Report (APR) of the Central African Republic and takes exception to much of the document. Post has seen little real progress or commitment on the part of Central African Republic's government (CARG) to implement serious economic reform, fight corruption, or encourage private investment. While the government has set up the structures mentioned in the report, the actual effectiveness of these structures is limited and we have seen what appears to be an escalation of opportunistic behaviors on the part of some government ministries. It is probably impossible to find real, hard numbers, but the circumstantial and physical evidence of corruption and mismanagement is overwhelming. END SUMMARY.

¶2. (SBU) Post views with deep concern the CARG's lack of commitment to growth and national reconciliation and does not share the World Bank's optimistic view. The CAR was ranked 180 out of 181 countries surveyed in the World Bank's 2009 Doing Business index. It was also ranked 151 out of 180 countries surveyed in Transparency International's 2008 Corruption Perceptions Index. In a country that is the fifth largest producer of gemstone quality diamonds, being ranked 178 of 179 countries on the UN's Development index is a seeming non sequitur. (Sadly, the CAR was ranked 172 only a year ago - it is significant that the situation is getting worse, not better.) There is money in the Central African Republic, but it is often diverted or misappropriated.

¶3. (SBU) Below are several ``achievements'' cited by the report and Post's analysis of the state of affairs (note: paragraphs in quotes are from APR, bullets are Post's comments):

``The APR describes the efforts the government has made to restore peace and security. Staff agree that these have been significant. Efforts toward political stability culminated in the Inclusive Political Dialogue in which all major political actors (social, political, and rebel groups) participated in December 2008, and the creation of coalition government including members from the civil society and the opposition as well as the rebel groups. Such initiatives followed on the Libreville Agreement of June 2008, and an Amnesty Law was promulgated in October 2008 covering crimes committed since 2003 by political or military leaders (except for war crimes and crimes against humanity that are under the jurisdiction of the

International Criminal Court). Restoring peace throughout the country remains a challenge, particularly in the northern areas. However, it is expected that the government will be able to move toward another round of elections in 2010 with the support of the international community-especially the three peacekeeping missions (MINURCAT, EUFOR and MICOPAX) and the UN Peace Building Office''

- As reported in 09 BANGUI 09, the IPD did not create a coalition government. There was a minor shuffle and opposition figures were given insignificant ministries, but the result cannot not be viewed as a true power sharing accord. President Bozize remains surrounded by a cabal of long time ministers, all of whom are widely suspected of corruption. Furthermore, the follow up committee to the IPD has been unfunded and largely ignored. Its most recent snub was the disregarding by the government of the electoral code it wrote, despite its approval by the opposition and most others.

- MINURCAT has no peacekeeping mandate vis a vis Central African disputes. It is in Birao, and Birao only, to protect humanitarian workers and refugees against Sudanese incursions. 09 BANGUI 114 gives examples of how (in)effective MINURCAT has been at keeping the peace. Furthermore, MICOPAX has been a virtual none presence in the country. Charged with keeping the peace and training the FACA, they have done neither. Violence in Kaga Bandoro in Feb/March 09, site of a MICOPAX contingent, was not dealt with by the forces present. The FACA in private has been vocal in criticism of MICOPAX's performance. Finally, EUFOR is no longer in existence. MINURCAT, EUFOR and MICOPAX are not credible peacekeeping/making forces.

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- Lastly, the elections: there has not been, to date, a penny budgeted by the government for elections. Nor has an electoral commission been put in place. Nor do electoral lists exist. There has been scant evidence that the government is moving towards elections except through movement forced upon it by national and international actors.

``The priority for the government in the next few months is rapid action on the disarmament, demobilization, and reinsertion (DDR) program to ensure political stability and sustain peace. The government and donors are discussing design and implementation of the program. UNDP is leading the discussion. Although a total of USD 20 million has been identified, the total costing is not yet completed. The recommendations of the SSR need to be implemented, in particular revision of the documents governing C.A.R.'s security sector to improve public financial management and budgetary processes and minimize leakages in C.A.R.'s security agencies.''

- There has been no rapid action on DDR. Money promised by CEMAC at the end of 2008 for DDR has only just been accepted by the CAR as being for DDR instead of for their own discretionary spending. Further money for DDR from the international community is proving difficult to raise according to a source close to the project.

- Rebellion in the North and Northeast continues with little government intervention other than the deployment of very small numbers of soldiers. The Minister of the Interior visited part of the conflict zone, but nothing came of his trip. President Bozize has announced publically his intention to take a ``muscular'' approach to solve the issues. In the past, as documented in 09 Bangui 46 and multiple reports from human rights organizations going back years, this ``muscular'' approach has included the killing of civilians - which only further reinforces the rebellion, increases the flow of Central Africans to Chad and Cameroon and increases the need for international support and feeding of internally displaced persons. (The United States provides between USD 5M and 15M per year to a country with vast reserves of rich agricultural land and abundant rainfall.)

- Further down in the report, the IMF states "The major actions undertaken by the government in this sector arise from the Security Sector Reform (SSR) and relate to: ``open doors'' days have been organized; 25 illegal barriers have been dismantled; 300 uniforms have been provided for the police by the French technical assistance authorities." Post does not believe that getting 300 uniforms from the French is a ``major action''. While the report cites that illegal road blocks have been removed from its road ways, hundreds still remain. A trip from Bangui to Doula, Cameroon will cost an individual passenger in a motor vehicle upwards of USD 200 in tolls, of which USD 15 are registered.

``Growth is central to achievement of C.A.R.'s ambitious PRS. The APR rightly discusses the key growth sectors: forestry, mining and mineral exploitation, agriculture and tourism. It makes it clear that progress has been made in key areas, in particular infrastructure and governance in natural resources, which is critical for growth and poverty reduction.''

- Tourism is almost at zero in the CAR and will be so until the roads are fixed, banditry eradicated and basic services are restored to the country. The country cannot credibly claim that tourism is a pillar of its growth strategy as it does little to encourage it.

- Agricultural production is mostly at a sustenance level. The pitiful states of roads and the ``tolls'' that police and military checkpoints demand make it difficult to move produce over any distance at all. Cash crop exploitation is at a virtual standstill due to a lack of infrastructure.

- The mining sector is dysfunctional at best with very little industrial mining at all and those that do exist are harassed

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constantly by the government.

- Post does not expect the timber sector to be a growth industry during the financial crisis.

- The report also fails to mention that outside of Bangui, at best, there is only four hours of electricity a day, and for the vast majority of the country there is simply no electricity at all.

- Unfortunately, every sector they have identified as ``growth'' initiatives by the CAR are anything but and are even being actively stunted, in the case of the mining sector, by the government.

``The APR highlights the government's commitment to the road program but does not discuss other transport infrastructure. It is commendable that the government is providing a stable source of funding for road maintenance. Although the targets for 2008 have not been achieved, the APR notes that 1,500 km of roads were rehabilitated, which has reduced the share of unrehabilitated roads from 42 percent to 17 percent. In addition, 206 km of rural roads were rehabilitated and 52 km constructed, which has increased the share of rural roads in good condition from 5 percent to 12 percent-above the 2008 target.''

- Roads in the CAR are in desperately ill repair and the international community is often times more invested in fixing the dilapidated infrastructure than the government is. The Ministry of Equipment told a USAID team that they have USD 12 million dollars a year for road work and the CAR needs USD 400 million. While the government does suffer from a lack of means, Post does not consider doing 3 percent of the work needed is making road work a priority.

- The report does not give a definition of ``unrehabilitated''. Rehabilitation often entails simply clearing overhanging brush or digging loose dirt from the side of the road to fill existing pot holes, ignoring the underlying structural issues.

¶4. (SBU) One the most troubling aspects of the CARG's mismanagement of its economic development is in the sector of mining. The Ministry of Mines rejected the World Bank draft of EITI mining code twice, and then rewrote it themselves and may be using it as a ruse to take control of the mines. The new code contains the following troubling provisions:

- A bonus payment of an unspecified amount to fund the Fonds Developpement Minier (a slush fund for the Minister that may be in contravention of the Finance Code). The amount will be specified in Convention Minier to be negotiated with each company so it gives the Minister total discretion on how much he demands.
- 15 percent for the State in free carried interest in any mining project. Most countries that are more developed than CAR only require 10 percent and this has been mentioned as a major disincentive to investors.
- 15 percent of the production for the State, whether in cash or product. It should be noted that one of the products of mining is uranium yellowcake.

Furthermore, the Ministry has closed down all but three of the diamond trading companies in the country. Each of the surviving companies has connections to people in the highest level of government. Citing the provision that the collecting houses have not fulfilled their legal obligations, the Ministry of Mines has effectively consolidated the mining industry in a few well connected hands and done so without legal recourse or transparency for the closed companies.

¶5. (SBU) One Canadian mining company had their long standing convention abrogated after a multi-year investment of over USD 50M. Then their new agreement with the government was rescinded

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within hours of its approval by the President. An American company has been in litigation with the government of the CAR since 2005 over oil exploration rights secured under the former regime but disputed by the current one with little movement in the interim.

¶6. (SBU) COMMENT: The document, while a progress report, is deficient in describing the reality on the ground. Currently, it appears that the government of CAR is more likely to use World Bank funds and debt relief to line the pockets of government officials rather than enacting real reform or broad-based economic development. Post suggests that debt relief is a powerful tool that could affect real positive results from the CARG and should not be approved until the CARG has made meaningful and tangible reforms. END COMMENT.
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